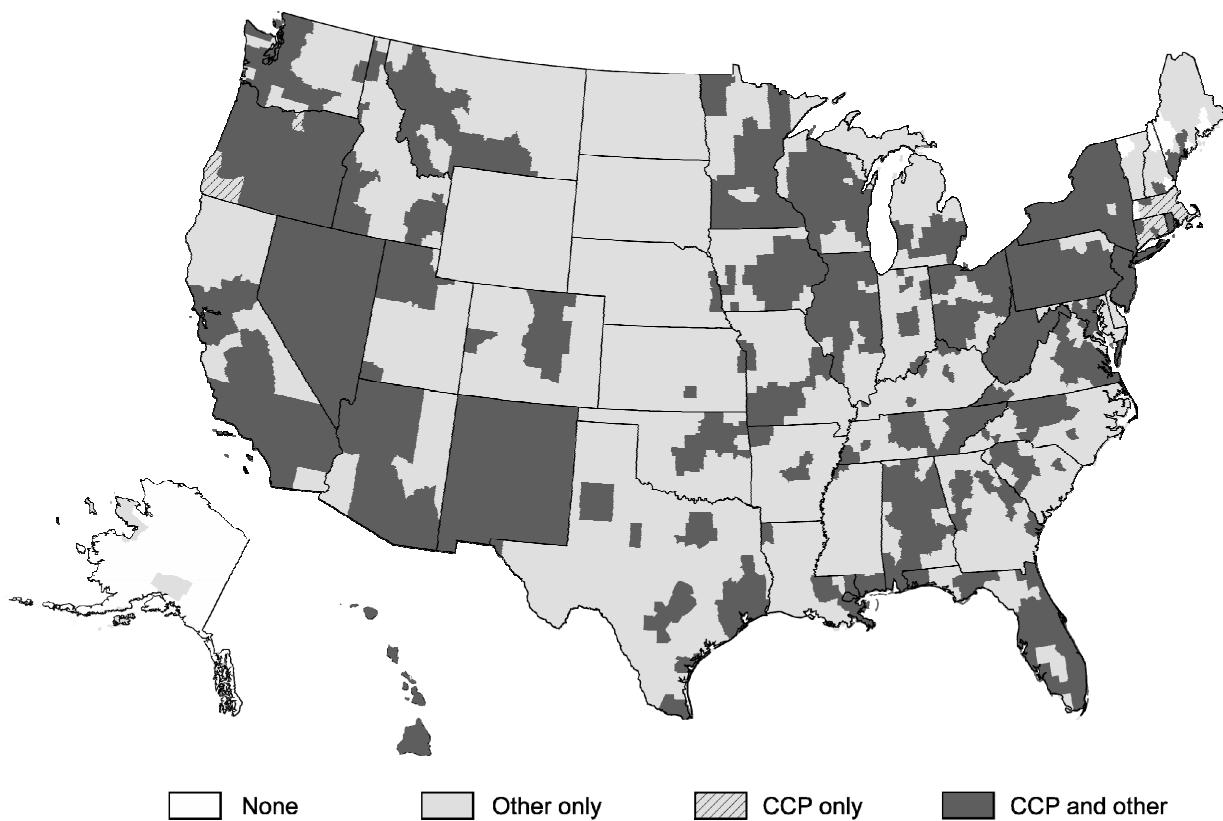


S E C T I O N

10

Medicare Advantage

Chart 10-1. Counties with MA plans, 2006

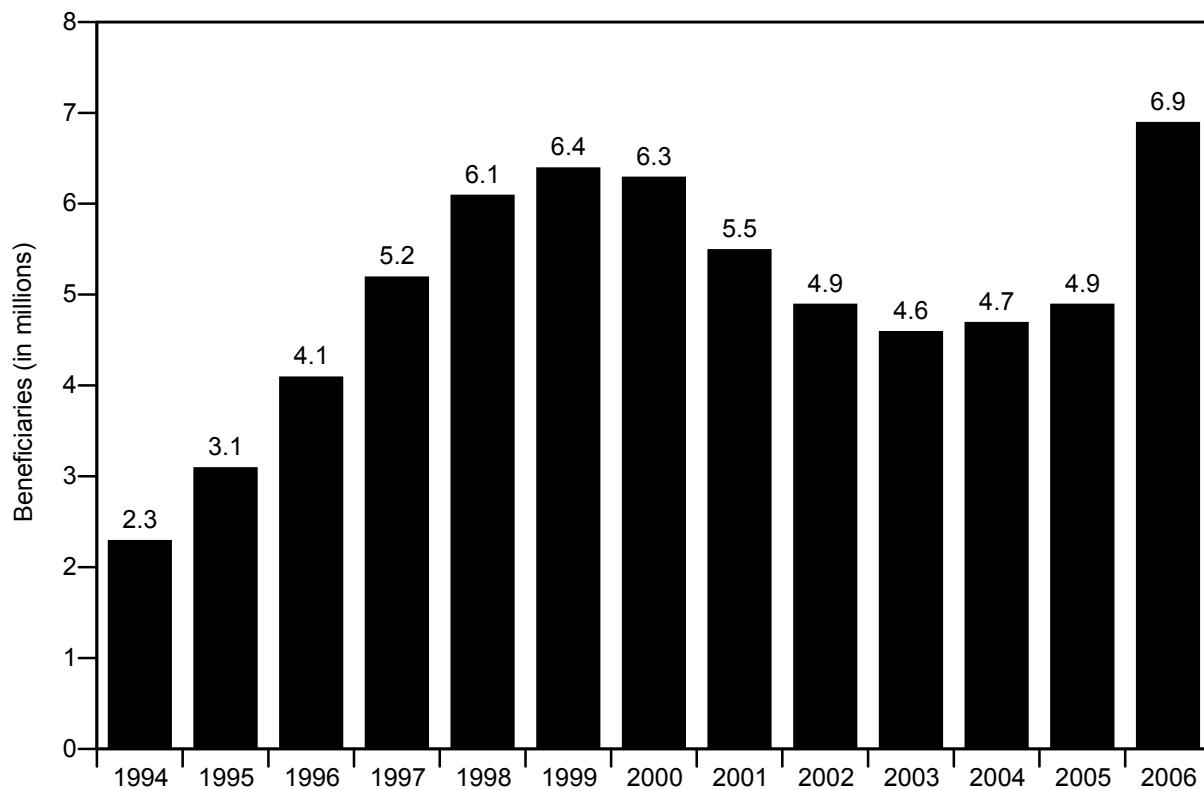


Note: MA (Medicare Advantage), CCP (coordinated care plan). Other includes private fee-for-service and regional preferred provider organizations.

Source: Medicare Health Plan Compare database, May 2006. Available at <http://www.medicare.gov>.

- Local coordinated care plans (CCPs) are local preferred provider organizations (PPOs) and health maintenance organizations (HMOs) which have comprehensive provider networks and limit or discourage use of out-of-network providers. Other types of Medicare Advantage (MA) plans are private fee-for-service (PFFS) plans and regional PPOs. PFFS plans are not required to have any networks and members may go to any willing Medicare provider. Regional PPOs cover entire state-based regions and have networks that may be looser than the ones required of local PPOs. Regional PPOs are available beginning in 2006.
- MA plans are available in at least parts of all states. Local CCPs are available in 45 states, and other MA plans are available in all 50 states.
- Local CCPs are available to 80 percent of Medicare beneficiaries in 2006—up from 67 percent in 2005. Other MA plans are available to 95 percent of beneficiaries—up from 45 percent in 2005. Overall, almost 100 percent of beneficiaries live in a county where MA plans are available in 2006—up from 84 percent in 2005.
- MA plans that include the Medicare Part D prescription drug benefit are available to 99 percent of all Medicare beneficiaries.
- These data do not include plans that have restricted enrollment or are not paid based on the MA plan bidding process. More specifically, special needs plans, cost-based plans, employer-only plans, and certain other demonstration plans are excluded.

Chart 10-2. Enrollment in MA plans, 1994–2006

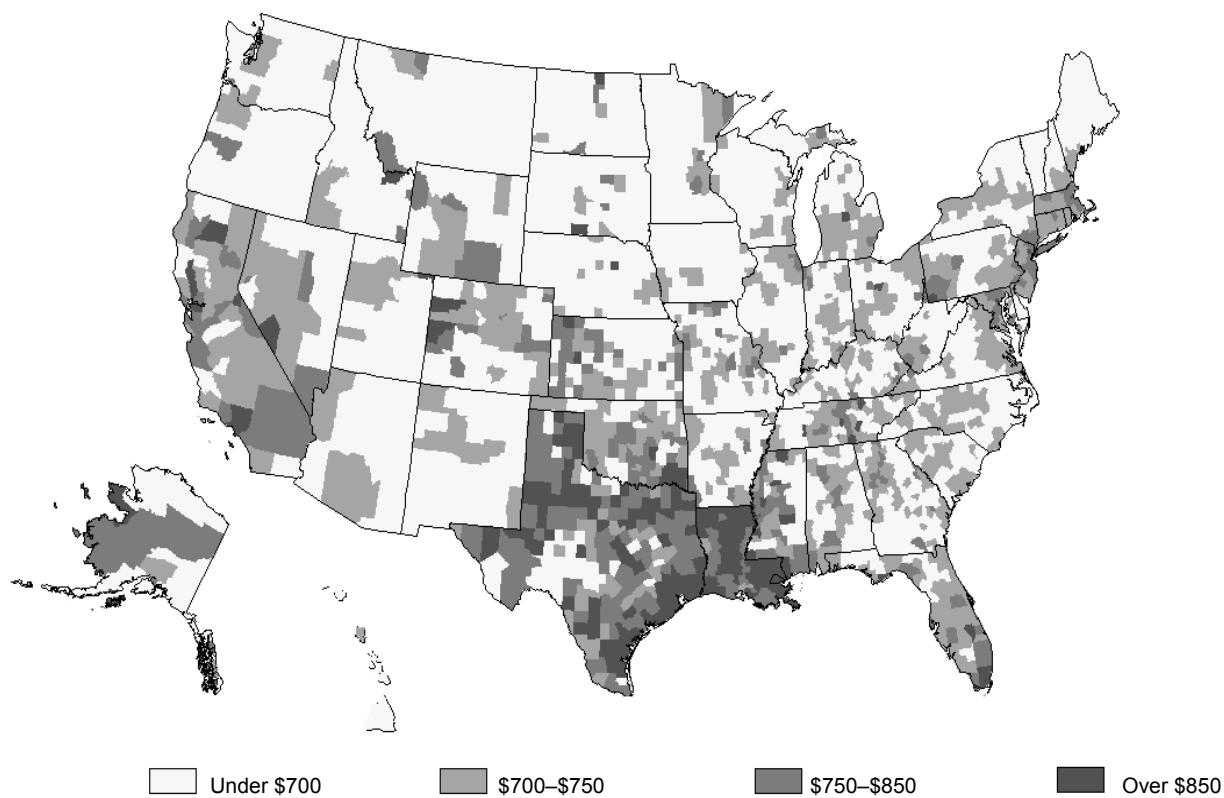


Note: MA (Medicare Advantage).

Source: Medicare Managed Care Contract (MMCC) Plans, Monthly Summary Reports, CMS.

- Medicare enrollment in private health plans paid on an at-risk capitated basis is at an all-time high at 6.9 million enrollees. Enrollment rose rapidly throughout the 1990s, peaking at 6.4 million enrollees in 1999 (17 percent of all Medicare beneficiaries), and declined steadily to a low of 4.6 million enrollees in 2003 (12 percent of all Medicare beneficiaries).

Chart 10-3. County benchmarks for MA plans, 2006



Note: MA (Medicare Advantage).

Source: CMS website, 2006.

- Benchmarks are bidding targets that CMS sets for every county as directed by law. The 2006 benchmarks are the 2005 Medicare Advantage (MA) county payment rates, updated by the projected national growth rate in per capita Medicare spending.
- Plans submit bids for the basic Medicare benefit which are compared with the benchmark. If the bid is higher than the benchmark, the plan is paid the benchmark and the members pay the difference with a premium. However, if the bid is below the benchmark, the plan is paid its bid plus 75% of the difference and the remaining 25% of the difference is retained by the Medicare program. The plan is then obligated to rebate its share of the difference to its members in the form of supplemental benefits or reduced premiums.
- In 2006, Medicare payment rates (standardized for health risk) for MA plans in U.S. counties range from \$670 to \$1,207 per month.
- The counties with benchmarks under \$700 per month contain 22 percent of Medicare beneficiaries.
- The counties with benchmarks between \$700 and \$750 contain 43 percent of Medicare beneficiaries.
- The counties with benchmarks between \$750 and \$850 contain 23 percent of Medicare beneficiaries.
- The counties with benchmarks above \$850 contain 12 percent of Medicare beneficiaries.

Chart 10-4. Benefits available to beneficiaries in MA plans, by type of plan

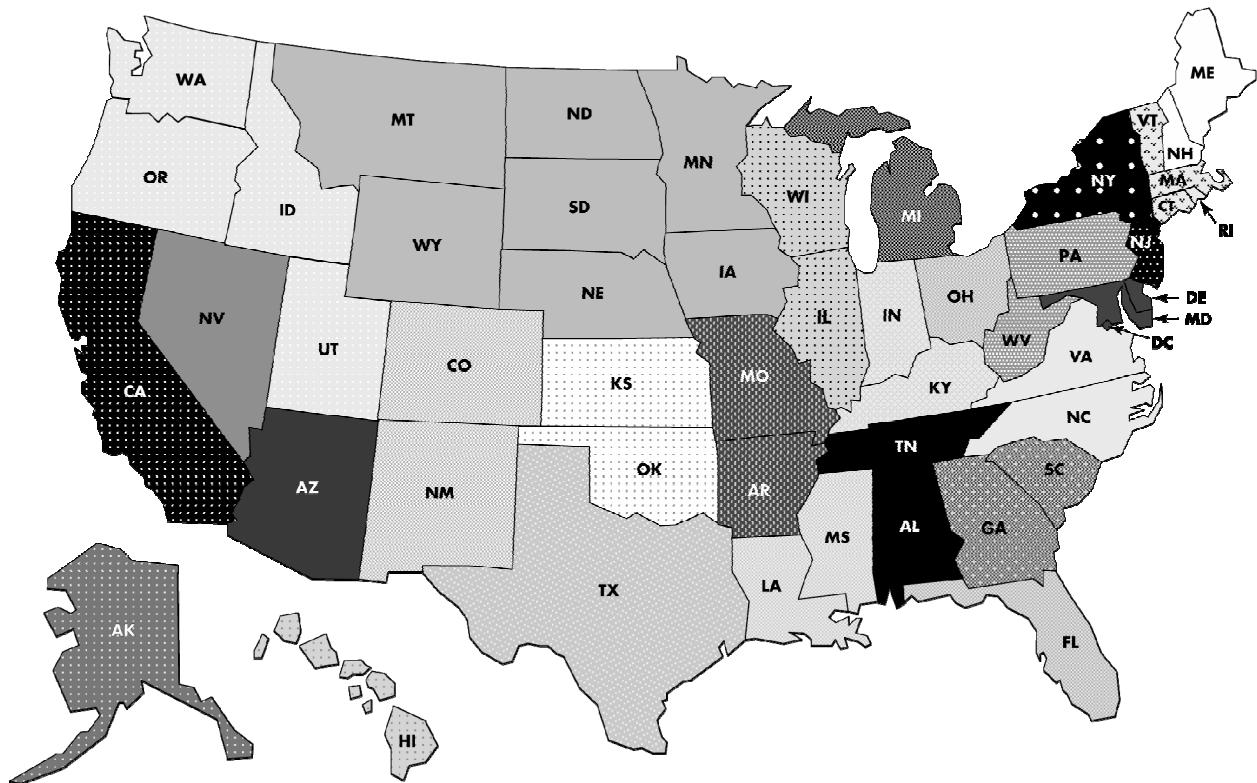
	Local plans				Any MA plan
	HMO	PPO	PFFS	Regional PPO	
Prescription drug plans	72%	63%	70%	88%	99%
Zero-premium prescription drug plans	48	11	25	15	68
Out-of-pocket limit:					
\$5,000 or less	53	41	75	88	98
\$2,000 or less	28	16	37	4	65
Cost sharing for 6-day hospital stay, \$500 or less	63	45	43	13	87

Note: MA (Medicare Advantage), HMO (health maintenance organization), PPO (preferred provider organization), PFFS (private fee-for-service).

Source: CMS 2006 unpublished bid data.

- Ninety-nine percent of Medicare beneficiaries have a Medicare Advantage (MA) plan available that includes the Part D prescription drug benefit—an MA–PD. The most widely available type of MA–PD is the regional PPO, which is available to 88 percent of Medicare beneficiaries.
- Zero-premium MA–PDs are available to 68 percent of beneficiaries. In a zero-premium MA–PD, enrollees do not have to pay an extra premium (above the standard Part B premium) to join the plan, and there is no Part D premium. Local HMOs are the most widely available zero-premium MA–PDs.
- Overall, 98 percent of beneficiaries have access to a plan that includes an annual out-of-pocket (OOP) limit of \$5,000 or less, and 65 percent of beneficiaries have a plan available that includes an OOP limit of \$2,000 or less. Private fee-for-service plans with an OOP limit no higher than \$2,000 are available to 37 percent of beneficiaries. Also, HMOs with OOP limits of \$2,000 or lower are available to 28 percent of Medicare beneficiaries, and local PPOs with these limits are available to 16 percent. We note that many plans charge low enough cost sharing that enrollees in such plans are unlikely to reach these levels of OOP spending.
- Eighty-seven percent of Medicare beneficiaries have access to a plan with expected cost sharing of \$500 or less for a six-day inpatient hospital stay. Availability of these plans is greater for HMOs and other local plans. Only 13 percent of beneficiaries have access to a regional PPO with this level of cost sharing.

Chart 10-5. MA Regions

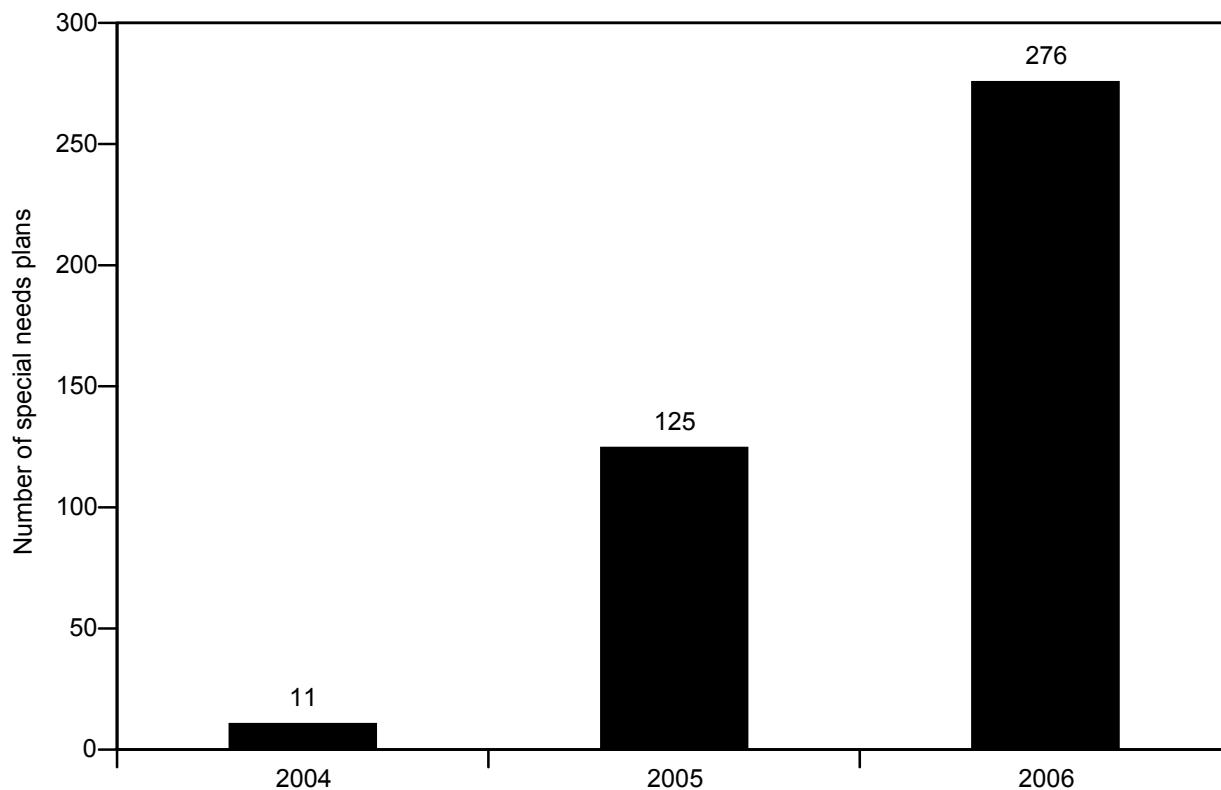


Note: MA (Medicare Advantage).

Source: CMS website, 2006. <http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/Downloads/MAPDRegions.pdf>.

- In 2006, regional preferred provider organizations (PPOs)—which must cover entire state-based regions—are offered in the Medicare Advantage program. Regional PPOs must have PPO-like networks, which may sometimes be looser than the ones required of local PPOs.
- CMS chose 26 PPO regions based on factors including population size, sufficient numbers of existing competitors, and preservation of geographic patient flows.
- In 2006, there are regional PPOs in 21 of the 26 regions. The five regions that do not have any regional PPOs are: Alaska, Colorado/New Mexico, Connecticut/Massachusetts/Vermont, Idaho/Oregon/Utah/Washington, and Maine/New Hampshire.

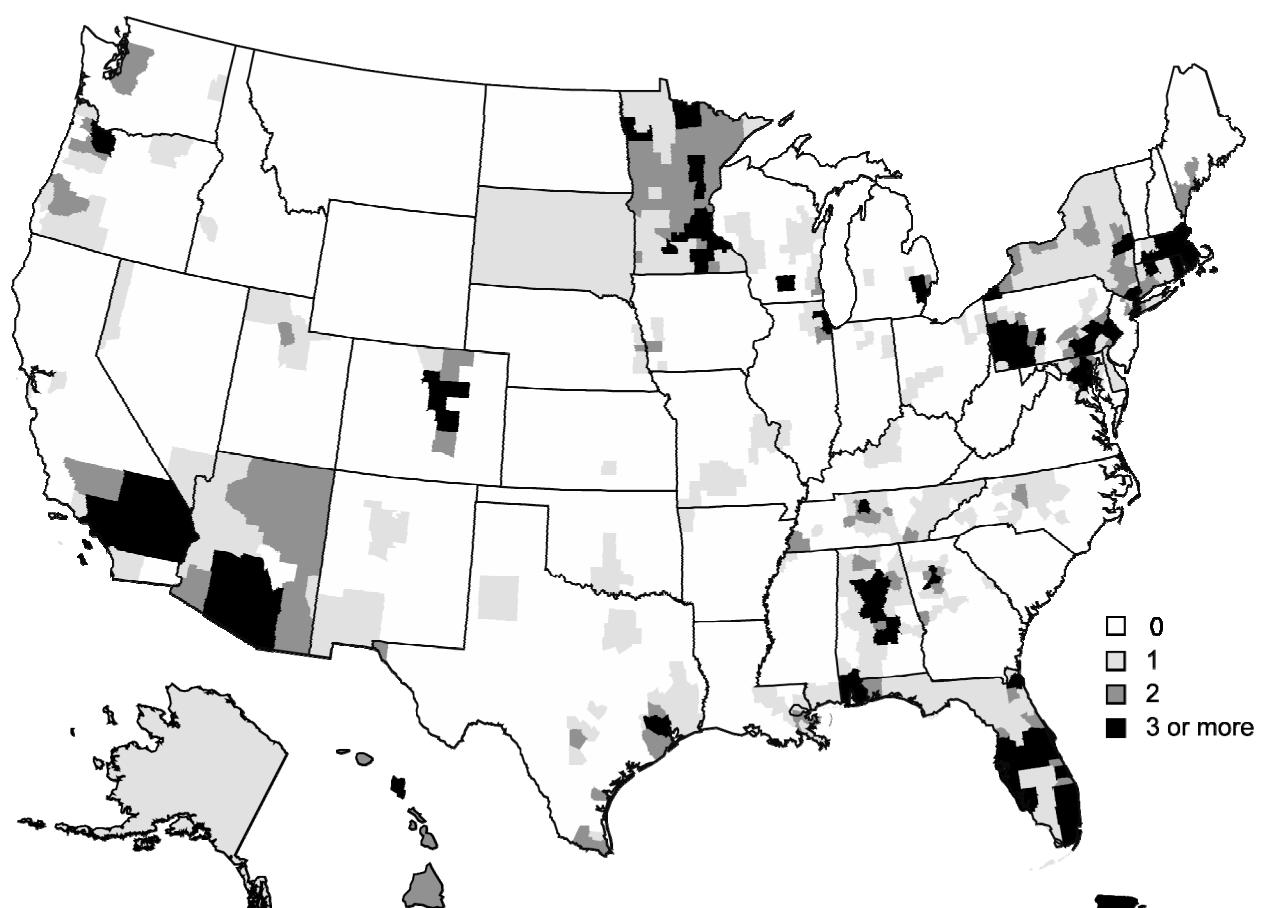
Chart 10-6. Special needs plans have grown quickly



Source: CMS special needs plan fact sheet and data summary, February 14, 2006.

- The Congress created special needs plans (SNPs) as a new Medicare Advantage (MA) plan type in the 2003 Medicare Prescription Drug, Improvement and Modernization Act to provide a common framework for the existing plans serving special needs beneficiaries and to expand beneficiaries' access to and choice among MA plans.
- In 2006, 276 SNPs are approved to operate.
- Most SNPs—82 percent—are for dual eligibles, while 13 percent are for beneficiaries who reside in institutions, and 4 percent are for beneficiaries with chronic conditions.
- SNPs were authorized for only five years. Absent congressional action, SNP authority will expire at the end of 2008.

Chart 10-7. Number of organizations offering special needs plans, by county, 2006



Source: MedPAC analysis of CMS 2006 Plan Benefit Package data.

- In 2006, special needs plans (SNPs) are available in at least part of 42 states, the District of Columbia, and Puerto Rico. Fifty-nine percent of Medicare beneficiaries live in an area where a SNP is offered.
 - Eight states, the District of Columbia, and Puerto Rico have at least one SNP available throughout the entire area.
 - Several states have multiple types of SNPs available.
 - SNPs are offered as regional preferred provider organizations in Florida, Hawaii, and New York.

Web links. Medicare Advantage

- Chapter 9 of MedPAC's June 2006 Report to the Congress provides information on Medicare Advantage plans.
http://www.medpac.gov/publications/congressional_reports/Jun06_Ch09.pdf
- Chapter 3 of MedPAC's June 2005 Report to the Congress provides information on Medicare Advantage plans.
http://www.medpac.gov/publications/congressional_reports/June05_Ch3.pdf
- More information on the Medicare Advantage program payment system can be found in MedPAC's Medicare Payment Basics series.
http://www.medpac.gov/publications/other_reports/Dec05_payment_basics_MA.pdf
- CMS provides information on Medicare+Choice and other Medicare managed care plans.
<http://cms.hhs.gov/healthplans/>
- The official Medicare website provides information on plans available in specific areas and the benefits they offer.
<http://www.medicare.gov/mphCompare/home.asp>